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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/07  
 LAST UPDATED 3/03/07      HB 372/aHCPAC/aHAFC

SPONSOR Sandoval

SHORT TITLE Home Heating Relief      SB \_\_\_\_\_

ANALYST Francis

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
\$6,000.0		Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act  
 Duplicates Appropriation in the General Appropriation Act

Relates to SJM3, HB121, SB325, SB114, SB328  
 Duplicates SB323

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
\$6,000.0			Non-Recurring	Gasoline and Home Heating Relief Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Human Services Department (HSD)

Responses Received From  
 Human Services Department (HSD)  
 Department of Finance and Administration (DFA)

## SUMMARY

### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amended House Bill 372 changing the appropriation to the Low-Income Home Energy Assistance Program (LIHEAP) from \$9 million to \$6 million. This appropriation is identical to the appropriation for Senate Bill 323 that has passed the Senate.

### Synopsis of HCPAC Amendment

The House Consumer and Public Affairs Committee amended House Bill 372 which makes the appropriation a nonrecurring appropriation and reverts the balance at the end of FY2007 to the general fund.

### Synopsis of Original Bill

House Bill 372 appropriates \$9 million from the general fund to the gasoline and home heating relief fund for expenditure in FY07 and subsequent years. The money in the fund is to be used for the low-income home energy assistance program (LIHEAP), a program administered by Human Services Department (HSD) with state and federal funds.

HSD:

LIHEAP is a grant from US Department of Health and Human Services (HHS) that helps NM low-income families meet the costs of home heating and cooling one time per year and increase energy self-sufficiency and reduce vulnerability resulting from energy needs. HB372 adds general fund to supplement the federal funds available for this purpose.

This bill has an emergency clause and so will take effect immediately upon signing.

## FISCAL IMPLICATIONS

As amended, the appropriation of \$9 million contained in this bill is a NONRECURRING expense to the GENERAL FUND. Any unexpended or unencumbered balance remaining at the end of each fiscal year shall revert to the GENERAL FUND.

## SIGNIFICANT ISSUES

In the 2005 special session, \$25 million was appropriated to Human Services Division (HSD) to administer LIHEAP. The session also created the Gasoline and Home Heating Relief Fund as a vehicle for contributions, appropriations and gifts but the fund has never had a non-zero balance.

Two important features of the LIHEAP program is that HSD will capture 10 percent of the appropriation for administration and 15 percent of the appropriation will be expended for weatherization.

HSD:

According to 2006 Fisher, Sheehan & Colton publications, the Home Energy Affordability Gap for low income households is \$600. Although only 71,794 NM households received

LIHEAP in FFY 2006, there are approximately 180,530 households that meet the LIHEAP income eligibility limit of 150% of Poverty (2000 Decennial Census 2/2005). Using the Home Energy Affordability Gap of \$600, the total approximate energy need for 180,530 households is \$108,318,000. Receiving an undetermined amount in general funds would help to reduce the un-met need.

HSD has provided a table of the payments shown below. HB372 would fit between the \$8 million and the \$10 million columns and depending on the level of “point value option” HSD could serve 33 thousand to over 100 thousand households. At the FY06 level of benefit of \$65 per point, the program would serve 36,449 to 40,709 households in FY08. A point value is based on the available funding and a household’s points are determined by income and family size.

LIHEAP Projections			2	4	6	8	10	15	23
			\$2 M State Funds	\$4 M State Funds	\$6 M State Funds	\$8 M State Funds	\$10 M State Funds	\$15 M State Funds	\$23 M State Funds
Projected Federal Grant			\$ 9,392,231	\$ 9,392,231	\$ 9,392,231	\$ 9,392,231	\$ 9,392,231	\$ 9,392,231	\$ 9,392,231
Add Allowable Carry Forward 10%			\$ 1,155,469	\$ 1,155,469	\$ 1,155,469	\$ 1,155,469	\$ 1,155,469	\$ 1,155,469	\$ 1,155,469
Deduct for Allowable Admin Costs 10%			\$ 939,223	\$ 939,223	\$ 939,223	\$ 939,223	\$ 939,223	\$ 939,223	\$ 939,223
Deduct for Weatherization at 15%			\$ 1,408,835	\$ 1,408,835	\$ 1,408,835	\$ 1,408,835	\$ 1,408,835	\$ 1,408,835	\$ 1,408,835
Add State Funds			\$ 2,000,000	\$ 4,000,000	\$ 6,000,000	\$ 8,000,000	\$ 10,000,000	\$ 15,000,000	\$ 23,000,000
Deduct for State Admin Costs 10%			\$ 200,000	\$ 400,000	\$ 600,000	\$ 800,000	\$ 1,000,000	\$ 1,500,000	\$ 2,300,000
Balance Available for Benefits			\$ 9,999,642	\$ 11,799,642	\$ 13,599,642	\$ 15,399,642	\$ 17,199,642	\$ 21,699,642	\$ 28,899,642
Point Value Options	Benefit Range 2 - 12 Points	Avg Benefit @ 6.5 points	Potential Households That Could Be Served						
			▼	▼	▼	▼	▼	▼	▼
A \$ 80	\$160 - \$960	\$ 520.00	19,230	22,692	26,153	29,615	33,076	41,730	55,576
B \$ 75	\$150 - \$900	\$ 487.50	20,512	24,204	27,897	31,589	35,281	44,512	59,281
C \$ 70	\$140 - \$840	\$ 455.00	21,977	25,933	29,889	33,845	37,801	47,692	63,516
D \$ 65	\$130 - \$780	\$ 422.50	23,668	27,928	32,189	36,449	40,709	51,360	68,402
E \$ 60	\$120 - \$720	\$ 390.00	25,640	30,255	34,871	39,486	44,102	55,640	74,102
F \$ 55	\$110 - \$660	\$ 357.50	27,971	33,006	38,041	43,076	48,111	60,698	80,838
G \$ 50	\$100 - \$600	\$ 325.00	30,768	36,307	41,845	47,384	52,922	66,768	88,922
H \$ 45	\$90 - \$540	\$ 292.50	34,187	40,341	46,495	52,648	58,802	74,187	98,802
I \$ 40	\$80 - \$480	\$ 260.00	38,460	45,383	52,306	59,229	66,152	83,460	111,152
J \$ 35	\$70 - \$420	\$ 227.50	43,954	51,867	59,779	67,691	75,603	95,383	127,031
K \$ 30	\$60 - \$360	\$ 195.00	51,280	60,511	69,742	78,973	88,203	111,280	148,203
L \$ 25	\$50 - \$300	\$ 162.50	61,536	72,613	83,690	94,767	105,844	133,536	177,844
M \$ 24	\$48 - \$288	\$ 156.00	64,100	75,639	87,177	98,716	110,254	139,100	185,254
N \$ 23	\$46 - \$276	\$ 149.50	66,887	78,927	90,968	103,008	115,048	145,148	193,309
O \$ 22	\$44 - \$264	\$ 143.00	69,928	82,515	95,102	107,690	120,277	151,746	202,095
P \$ 21	\$42 - \$252	\$ 136.50	73,257	86,444	99,631	112,818	126,005	158,972	211,719
Q \$ 20	\$40 - \$240	\$ 130.00	76,920	90,766	104,613	118,459	132,305	166,920	222,305
R \$ 19	\$38 - \$228	\$ 123.50	80,969	95,544	110,119	124,693	139,268	175,706	234,005

**ADMINISTRATIVE IMPLICATIONS**

HSD reports that it will cost \$175.1 thousand to re-configure their systems to accommodate anticipated changes. \$101.6 thousand can come from federal funds and \$73.5 thousand from the general fund through the appropriation process. Their analysis also includes a request for 10 percent of the appropriation for administrative costs or \$900 thousand. The executive recommendation for general appropriations included \$1 million and the LFC recommendation included \$2 million for LIHEAP.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

The Legislative Finance Committee recommendation for the general appropriation act included a \$4 million appropriation to HSD (\$2 million in the base budget and \$2 million as a special appropriation) for LIHEAP and the Executive recommended \$1 million in HSD’s budget.

Senate Bill 323, an identical bill, appropriates \$9 million to HSD for LIHEAP to the gasoline and home heating relief fund, a fund already established for distribution of heating assistance.

House Bill 121 creates a distribution from oil and gas emergency school severance tax and creates a new fund for the same purposes.

Senate Joint Memorial 3 calls on the Federal government to maintain and increase funding for LIHEAP.

**OTHER SUBSTANTIVE ISSUES**

HSD reports that some of the LIHEAP payments are made directly to recipients and may be considered income for the purposes of other social assistance programs, particularly the food stamp program.

HSD is concerned that the appropriation is to the Gasoline and Home Heating Relief fund which is administered by the department of finance and administration rather than directly to HSD.

NF/mt:csd